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UNCLAS SECTION 01 OF 07 BRUSSELS 000948

C O R R E C T E D C O P Y (PARIS ADDRESSEE ADDED)

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SUBJECT: TEC STAKEHOLDERS PRAISE DAY-LONG OUTREACH EVENT

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SUMMARY:

¶1. (U) Over 70 EU business, consumer group and European Commission representatives joined USEU staff June 29 for an energetic discussion of the Transatlantic Economic Council and Transatlantic Economic Framework(TEC/TEF), organized jointly by the Transatlantic Business Dialogue (TABD) and USEU in Brussels. The TEC stakeholders participated enthusiastically in a full day of TEC review and update workshops, where USEU staff and European Commission counterparts briefed TEC stakeholders on progress in the key areas of horizontal and sectoral regulatory cooperation, capital markets integration, investment, innovation, IPR and secure trade/transport. The workshops were followed by high-level speeches, including by EU TEC Co-Chair Gunter Verheugen, TABD Co-Chair Jurgen Thumann and USEU Charge Murray. Stakeholders, Verheugen and other participants praised the event as providing a needed update and boost to TEC momentum. Verheugen emphasized the need to raise TEC ambitions, improve stakeholder relations and agree on a medium term TEC roadmap/workplan, and underscored his hopes for a successful fall TEC meeting. Verheugen, other Commission officials and the stakeholders reacted positively to USEU's proposal to distribute informal project updates and to deepen our TEC innovation cooperation, including via launching an innovation working group. End Summary.

¶2. (U) The Transatlantic Business Dialogue on Monday June 29 organized a day-long series of "workshops" on each of the eight main themes under the 2007 U.S.-EU Framework for Promoting Transatlantic Economic Integration. USEU provided facilities for the event, co-sponsored by AmchamEU, the U.S. Chamber, BusinessEurope and the European Americastanding and cooperation on strategic international economic policy issues and of th% TEC co-chairs in trying to find novel ways to resolve outstanding problems. All spoke as well of the need to focus on steps that would help address the financial crisis (including through capital market integration), the need for cooperation on energy technologies to address climate change, the importance of IPR, and the need for a long-term view and perseverance. All want the governments to look for areas of progress, including through the use of mutual recognition.

Horizontal Regulatory Cooperation

¶4. (U) John Farnell, Director of International Affairs, DG Enterprise (DG ENTR) opened the first session by expressing appreciation for the "impressive" cooperation between the U.S. and EU on horizontal regulatory cooperation. He said that progress had been made in risk assessment discussions, noting that even if the U.S. and EU have different policies on how to manage risk, fruitful exchanges on evaluating risk are taking place. Farnell added that discussions on impact assessments are also showing results, and that

he looked forward to Office of Management and Budget (OMB) case studies on impact assessments that would be exchanged this summer. He noted other areas for regulatory cooperation, including emerging technologies, traceability, and self-regulation, and expressed hope that some of these issues could be discussed at the July 24 U.S.-EU High Level Regulatory Cooperation Forum (HLRCF) to be held in Brussels.

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¶5. (U) USEU Econoff agreed with Farnell's assessment and said the regulatory conversations between the U.S. and EU were among the most durable and productive TEC outcomes. He said another important area of cooperation has been on trilateral talks with China in the areas of risk and regulation. Econoff also noted the bimonthly digital video conference meetings between the Consumer Product Safety Commission and DG SANCO in the Toy Safety Working Group, as well as prospective discussions between toy industry representatives on both sides of the Atlantic on convergence in product safety regulation. Econoff emphasized that U.S. regulators were eager to discuss nanotechnology at the HLRCF.

¶6. (U) On standards, Farnell opened with the issue of Suppliers' Declaration of Conformity (SDOC) for certain low-voltage electrical items, and provided a comprehensive report on the current OSHA consultations, saying the EU expected a determination on possible use of SDOC in the U.S. in the fall of 2009. In addition, at the request of the October 2008 High level Regulatory Cooperation Forum, the U.S. and EU are undertaking a joint study of our respective approaches to using international standards in our regulations; this should be completed this year. USEU Econoff added cooperation between the American National Standards Institute (ANSI) and the European Standards Organizations (ESO) is excellent, and will be furthered at a joint ANSI-ESO conference in Washington in September.

Sectoral Regulator; cse of newmitments to adopt and promote Global Harmonization Task Force (GHTF) guidelines, which involve not only the U.S. and EU but also Australia, Canada and Japan. Progress has also been made on developing Global Nomenclature for Medical Devices and discussion on Unique Device Identification. In the area of nanotechnology, both the U.S. and EU have determined that the current regulatory frameworks in place are sufficient for appropriate regulation of medical devices using nanomaterials.

¶10. (U) USEU staff noted progress in international cooperation on cosmetics regarding alternative test methods to reduce the need for animal testing with the agreement on a Framework for International Cooperation on Alternative Test Methods (ICATM) in September 2008 and an implementing Memorandum of Cooperation between the involved agencies in April 2009. This is of particular interest for the EU because in March 2009 a marketing ban of products containing ingredients tested on animals became effective, although for some tests the ban will not be in force until 2013. The U.S. and EU also collaborate in the International Cooperation on Cosmetics Regulation (ICCR); the ICCR has validated nine out of thirty-four testing alternatives to date.

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¶11. (U) Food Safety: Perhaps because of the heated TEC debates last year about the effective EU ban on U.S. poultry imports, the discussion of food safety issues was short, with the government reps referring to the mid-June discussions between Health and Consumer Safety Commissioner Vassiliou and her USDA and HHS/FDA counterparts in Washington. There si a general sense of a need to return to "first principles," and to strengthen our cooperation scientific risk analysis to address the host of food safety issues both sides have.

¶12. (U) Chemicals: The discussion of pure chemical issues was also quick, with the government representatives pointing to our cooperation, including in the OECD, on good laboratory practices, classification and labeling. The representative from DG Environment noted that DG ENV, DG Enterprise and the European Chemicals Agency have frequent discussions with EPA about dangerous chemicals, especially as the EU implements REACH and the U.S. reviews the Toxic Chemical Substances Act.

¶13. (U) Regarding automotive sector cooperation, USEU Econoff reminded the audience that the National Highway Transportation Safety Authority (NHTSA) and DG ENTR concluded an MOU on cooperation in motor vehicle safety and emissions standards in June 2008. He

reviewed EU and U.S. joint work to secure international recognition of electronic stability controls in the United Nations Economic Commission for Europe (UNECE) World Forum for Harmonization of Motor Vehicle Regulations (WP29). DG ENTR and NHTSA met June 22-26, 2009 on the margins of a WP 29 plenary in Geneva to discuss next steps in developing a workplan for compatible approaches to key automotive standards, including possibly for global diesel engine standards. Representatives from the two agencies will meet in Washington late September to discuss an exchange of information on our respective work-programmes, ways to improve the effectiveness of the 1998 Agreement, identification of priority areas where the principle of functional equivalence could be applied, and regulatory developments on two and three-wheel motor vehicles.

¶14. (U) Suppliers Declaration of Conformity for "Low-risk" Electrical and Electronic Products was discussed briefly, with DG ENT pointing to the EU's long history of using SDOC and the current OSHA evaluation of over sixty submissions to its January Request for Information on the use of SDOC for this relatively limited product range. The OSHA review is expected to be completed in early fall.

Capital Markets Integration

¶15. (U) Nathalie de Basaldua, Deputy Cabinet Head for EU Internal Market Commissioner Charlie McCreevy, told the audience that the new Obama Administration Financial Regulatory Reform proposals show "strong convergence" with the EU's own efforts to strengthen financial services regulation and improve supervisory oversight. De Basaldua praised the success of the U.S.-EU Financial Market Regulatory dialogue (FMRD) in the past and noted that our regulatory discussions may need to move to a higher level in the future. She said the EU and U.S. share general principles guiding our respective financial regulatory reform efforts, noting they are "enshrined in the G-20 agreements." Divergences of approach are only found in details of proposals, she explained, adding that the need to cooperate is understood by all.

¶16. (U) De Basaldua listed the many regulatory initiatives undertaken by the European Commission as "emergency responses" to the crisis, (e.g. higher deposit guarantees, legislation on credit rating agencies). She acknowledged that differences in the respective U.S. and EU political timetables forced the EU to take action sooner than the U.S.; if the EU had not acted, it would have lost an entire year due to European Parliamentary elections and transition to a new Commission late this year. She said June 2 meetings in D.C. between Commissioner McCreevy and Secretary Geithner, Fed Chairman Bernanke, SEC Commissioner Shapiro and others proved fruitful. In the first half of July, she revealed, a delegation from DG Internal Market will visit Washington to continue regulatory discussions with their counterparts.

¶17. (U) De Basaldua criticized the "Buy America" provision included in U.S. stimulus legislation, because "the principle has been taken up by other countries and may have a detrimental effect on trade," jeopardizing the recovery, but she said the political imperatives

that dictated it were understood, and asked that the EU's political choices be equally respected.

¶18. (U) During questions, a European Banking Federation representative expressed concern that the Framework objective of mutual recognition for brokers and dealers was not moving forward; De Basuldua acknowledged this but affirmed that this remains an "Key" objective. When asked about Congressional hesitation about mutual recognition, she added that achieving this requires a thorough analysis of supervisory practices on both sides, adding that this is "not an emergency" issue. TABD expressed concerns about EU regulatory measures that appeared to build divergences in the transatlantic market, and underscored this is both dangerous and contrary to the spirit of the Framework. De Basuldua disagreed with his recommendation that we agree on "principles" for a regulatory approach, saying we had that and that the differences are in the details; here, she stressed the Commission "recognizes the need for us to work on parallel tracks." A TACD representative praised the U.S. Administration's proposal to establish a Consumer Financial Protection Agency (CFPA), and expressed concern that EU reform efforts lacked a consumer focus. De Basaldua responded that the EU focus has been on protecting retail investors, but said the Commission would welcome more input from TACD and other consumer groups on ensuring that reforms adequately protect consumers.

Investment

¶19. (U) USEU presented progress in the Investment Dialogue, recalling its creation, the May 2008 Open Investment Statement, the efforts to ensure parallel approaches to sovereign wealth funds, discussion of bilateral issues (CFIUS implementing regs, member state measures) and work on third country barriers. We noted the development of a detailed matrix of barriers and sectors in the key third countries, our sharing of analyses and nascent steps toward developing a coherent approach to lobbying on these issues. The main comment from the floor was a reiteration of concern about how Buy American policies can both create barriers and provide cover for third countries, such as China, to adopt both trade and investment barriers themselves.

Innovation

¶20. (U) Gerald Santucci, head of unit for Network Enterprises and Radio Frequency Identification Devices (RFID) at DG Information Society (DGINFSO), praised the TEC's role in promoting U.S.-EU collaboration over the past two years on RFID development and deployment. He highlighted the joint DGINFSO-DOC/EPA pilot project on radioactive isotope tracking as an example of progress facilitated by the TEC. Santucci stressed the importance of deepening TEC work on innovation, a vital tool through which our economies can exit the current global crisis and restore long-term competitiveness. He noted the value of the TEC facilitating cooperation on E-accessibility and E-health, but suggested the TEC should also examine policy issues around Next Generation Network (NGN) deployment, since high-speed connectivity is a critical enabling factor for innovation throughout the economy.

¶21. (U) USEU staff welcomed Santucci's comments, reviewed specific progress on innovation best practice exchanges, S&T cooperation and nanotechnology discussions, and presented the USEU proposals that TEC innovation collaboration be restructured and that a TEC innovation working group be established. Peter Droll, head of unit for innovation policy at DG Enterprise, said the TEC is an ideal mechanism to discuss how to use innovation to address the biggest societal challenges: aging, health care, climate, sustainability, and others. He welcomed the idea of a TEC innovation working group, and suggested this could discuss cooperation on metrics, cluster policy and and public sector innovation, in addition to reviewing work on the ongoing innovation projects.

¶22. (U) Representatives from Oracle, Intel and TACD supported the innovation working group proposal as well. The Intel rep stressed that the working group should be a public-private undertaking, with a significant private sector role, while the TACD rep said that a working group should discuss the importance of interoperability and open standards in promoting innovation.

Intellectual Property Rights

¶23. (U) Pedro Velasco-Martins of DG TRADE reported that negotiations on the Anti-Counterfeiting Trade Agreement (ACTA) are progressing well and are a good exercise to improve enforcement standards around the world. He said ACTA parties hope to conclude negotiations early in 2010. Velasco-Martins staff explained how the U.S. and EU have been collaborating successfully on IPR enforcement for almost four years now, with a joint meeting with stakeholders held annually. He stressed that cooperation on third countries, particularly China, has been especially useful. USEU staff reaffirmed the value of transatlantic IPR cooperation, noting it is critical to progress on innovation. Stakeholders raised concerns over the lack of transparency in ACTA negotiations; Velaso-Martins took issue with the idea of non-transparency but said negotiating parties have agreed not to make current texts public. He said the discussions will address issues such as the Internet and green technologies in later sessions.

Secure Trade/Transport

¶24. (U) David Dolan, USEU Customs and Border Patrol Attach (CBPA) and Gordon Wright with the Commission Taxation and Customs Union Directorate General (TAXUD) gave an overview of high-profile dialogues relating to the Secure Trade focus in the TEF/TEC. Dolan noted the recent completion of the annual World Customs Organization (WCO) Policy Commission and Council sessions, during which the U.S. legal requirement for 100 percent radiation detection and imaging (scanning) for U.S.-bound maritime containers, to take effect in

2012, was constructively addressed by numerous delegations, with those WCO Members further encouraged to engage the U.S. Congress in an appropriate manner on their continued concerns over the requirement. Dolan explained that the Department of Homeland Security would continue to work responsibly toward implementation of the law, with a view to applying a well established risk management approach to the deployments, just as wi`al
stakeholders noted.S./EUary 2009) as
the most c`ng key operational, techni
specified that a k%ontinuor engagement, most noiness community could gain though implementation of Mutual Recognition protocols.

Energy and Other Potential TEC Topics

¶26. (U) USEU EMIN noted the near-universal support among stakeholders for including energy technologies in the Framework to reflect the political priority placed upon this, to provide additional impetus for the cooperation and to ensure compatibility as both the U.s. and the EU accelerate development of these technologies to meet our common climate change objectives. He noted that the previous US Administration had proposed this broadening of the Framework, but added that the new one was considering other ways of show-casing our cooperation in this field. He added that in fact our cooperation is accelerating, pointing to the recent exchanges between the US Department of Energy and the Europeans, including on the margins of the March U.S.-EU S&T Agreement Joint Management Committee meeting, and underscored that, whatever the arrangements to guide this cooperation, the Secretaries, Commissioners and Ministers participating in the Transatlantic Economic Council meeting may well want to talk about this particularly in the context of the significant policy issues raised as we transform our societies to low-carbon economies.

¶27. (U) Addressing the broader question of the Framework and the TEC, all participants stressed the importance of having such strategic level discussions and of the need to have the process be as transparent as possible. In this context, the audience welcomed the detail and depth of the workshops.

High-Level TEC Awareness-Raising Event

¶28. (U) The day's outreach meetings were capped by a high-level TEC awareness raising event featuring speeches by outgoing TABD Co-Chair Jurgen Thumann, Enterprise Commissioner Gunter Verheugen, Czech Minister for European Affairs Stefan Fule, European Parliamentarian Jonathan Evans, Swedish Permanent Representation Ambassador Ulrika Barklund Larsson, and USEU Charge Christopher Murray. TABD EU Director Jeffries Briginshaw also briefed the high-level attendees on key points from the working sessions earlier in the day.

¶29. (U) Outgoing TABD co-chair (and incoming President of Business Europe) Jurgen Thumann praised TABD and other stakeholders for organizing the event and persevering with their work to advance TEC issues. Thumann declared that the TEC should focus on four key issue areas: 1) fighting protectionism and reaffirmation of the importance of open markets; 2) economic crisis recovery and collaboration in financial supervision and reform efforts; 3) energy and climate cooperation to align our respective carbon markets, regulatory policies and energy efficiency efforts; and 4) cooperation on promotion of innovation and strong intellectual property rights protections.

¶30. (U) European Commission Vice-President and Enterprise Commissioner Gunter Verheugen told the audience that the TEC is at the heart of U.S.-EU economic cooperation, which in a larger political context underpins the primary axis of global stability in the 21st century. He said our joint TEC work is based upon our mutual interests and values in raising global prosperity and stability, and is reliant upon strong stakeholder input and participation. He is convinced of the Obama Administration's commitment to the TEC after his two meetings with NSC TEC Co-Chair Michael Froman and President Obama's affirmation of the TEC to EU leaders in Prague in April. Verheugen said the U.S. and EU should raise our joint level of ambition for TEC work, making it our central platform for economic engagement, focused around the issues of economic crisis responses, commitment to free trade, energy and climate cooperation, and reduction of transatlantic regulatory barriers. He welcomed the U.S. proposal to strengthen the TEC innovation dialogue, said we should broaden TEC cabinet and stakeholder participation, and reaffirmed the need to define a medium-long term joint TEC workplan.

¶31. (SBU) Czech Minister of European Affairs Stefan F|le stressed the importance of giving the TEC more political weight and visibility going forward. He reminded the audience that the transatlantic relationship had been a Czech EU Presidency priority, and that the TEC acts as a useful framework for encouraging this dialogue. Mr. F|le mentioned how greater political leadership from the European Council would help improve upon current TEC efforts.

¶32. (SBU) Outgoing European Parliamentarian and EU Chair of the Transatlantic Legislators Dialogue Jonathan Evans, complimented TABD and other business organizations for working together in such a collaborative manner on TEC issues and avoiding "turf wars." Despite the successes of the TEC, Mr. Evans shared his disappointment that a June 2009 TEC did not take place. He said that the extended political transition period in the U.S. and EU have clearly slowed TEC progress, but underscored the need to maintain momentum to keep the TEC alive and effective. He noted that the Obama administration will push for labor interests and unions to be represented in discussions. Evans also raised the need for greater involvement of U.S. Congressional representatives in the TEC process.

¶33. (SBU) Ambassador Ulrika Barklund Larsson, from the Swedish Permanent Representation to the EU, reiterated the priorities of the Swedish EU Presidency (economic crisis recovery, climate change, EU institutional reform) and the importance of maintaining continuity through changes in EU leadership. She said that Sweden will continue to push for strong transatlantic cooperation through the TEC and otherwise, and welcomed the fall TEC meeting.

¶34. (SBU) Charge Murray thanked the TABD and other stakeholders for making the TEC a success and for their enthusiastic participation in the day's outreach events. He emphasized how stakeholder input has been critical to the U.S. and EU work to improve TEC functioning and broaden the issue areas addressed. He challenged stakeholders to keep up their efforts to ensure that the process achieves further successes.

Comment

¶35. (SBU) The TEC stakeholder meetings and high-level speeches generated a great deal of positive energy and enthusiasm over the two-year old TEC/TEF project. The events motivated the European Commission, which has been engaged in a lengthy internal review of its TEC management, to go on the record on progress and key goals. Stakeholders had told us progress in key areas has been flagging, but were cheered by USEU and Commission optimism over our expectations for a successful Fall meeting in Washington. The events, and USEU's informal updates of all major TEF projects, went far toward meeting stakeholders' longstanding demands for transparency. Also notable were the strong and positive participation in the event by the Transatlantic Consumer Dialogue, and the positive reaction to the USEU proposal to restructure our TEF innovation project and establish a U.S.-EU innovation working group.

¶36. (SBU) Stakeholder clearly still hope for additional clarity on U.S. TEC priorities, and a better sense of the Administration's goals for the Fall TEC and beyond. USEU is ready to work with DC and EU counterparts toward meeting such goals and establishing a longer-term workplan for the TEF and TEC, which will be critical if this mechanism for transatlantic economic integration, competitiveness and growth is to reach its full potential.

MURRAY